

# RAND Research Brief

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## Finding the Best Way to Get the Job Done

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## Alternative Structures for Government Organizations

Are U.S. government organizations currently structured to perform their missions most effectively? Some federal functions—such as negotiating treaties or providing for the national defense—no doubt can be carried out only through traditional government structures. But a host of other functions are not inherently governmental, and observers within and outside government have speculated that alternative structures—many involving the private sector—may be the key to how government can better perform many of these activities in the future. Researchers from RAND's National Defense Research Institute recently studied this issue for the Department of Defense (DoD) with an eye toward developing a framework that illuminates the range of options available for doing government business. The resulting report, *A Casebook of Alternative Governance Structures and Organizational Forms*, is designed to help policymakers take the first steps toward reorganization. The framework developed by the research team arrays a variety of alternative organizational structures according to key variables such as ownership and customers. Case studies are also provided for each option. Decisionmakers can use the framework to identify appropriate organizational options suitable for achieving their specific goals.

### FINDING AN APPROPRIATE STRUCTURE DEPENDS IN LARGE PART ON OWNERSHIP AND CUSTOMERS

In considering different ways to organize their operations or efforts, government authorities must pay attention to who controls the process or activity in question. But control itself has many dimensions, ranging from the management of daily operations to strategic planning to product design. For this reason, the research focused on two of the most easily quantifiable aspects of control, specifically, who owns the process that produces the service and who

is the customer or client for this service. These variables have implications for both staffing and organizational structure.

As shown in Figure 1, activities that are wholly controlled by government lend themselves to different organizational structures than do those wholly controlled by private parties. On the lower left side of the figure, a government agency controls the entire process for providing the service and is responsible for day-to-day operations and planning. Moving toward the right, performance-based organizations and government franchises, although purely governmental in provision, exercise slightly less control over the process than do traditional departments or agencies. The broadest spectrum of control possibilities

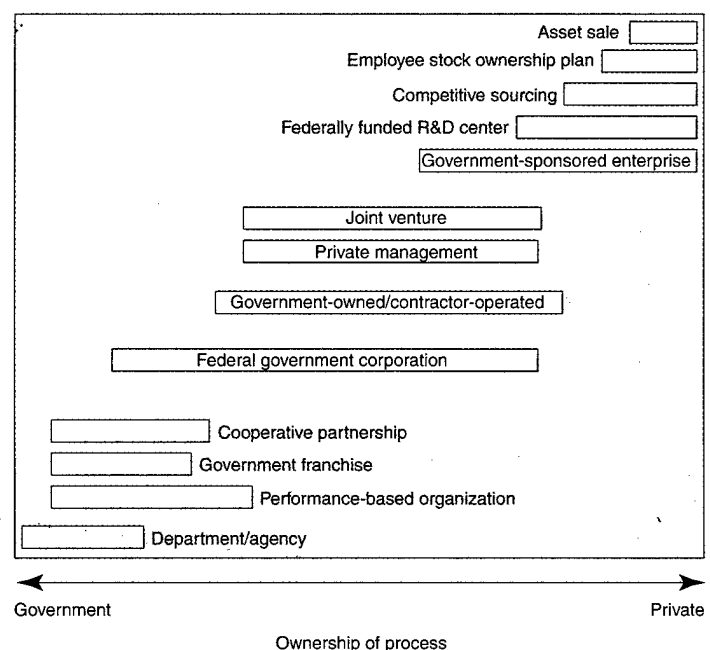


Figure 1—Alternatives by Ownership

is demonstrated by federal government corporations, which range from mostly governmental control to mostly private control, depending on the charter of the corporation. At the other end of the scale, shown in the upper right corner, is the asset sale, in which the government transfers ownership of a physical asset to a private company, local government, or another organization outside the federal government, thus relinquishing all ownership over the process.

The customer/client dimension provides another way to evaluate the appropriateness of various organizational alternatives, as shown in Figure 2. This figure arrays the alternatives in terms of who is served by the function or activity being undertaken for the federal government: government (including government agencies), private customers, or a mix of both. The pattern shown here is very different from that seen in Figure 1, with some options now spanning the entire spectrum and others limited to one type of customer. Clearly, government agencies serve

all kinds of customers, so they range across the full spectrum. Similarly, performance-based organizations generally serve either a mix of customers or a fully private or general customer base. Typically, government franchises serve an internal government customer, as do federally funded research and development centers and government-owned, contractor-operated facilities. A federal government corporation serves a broad spectrum of clients but seldom is created to serve a solely governmental one. Other organizations designed to serve private customers include government-sponsored enterprises, cooperative partnerships, privately-managed operations (e.g., government facilities such as airports), and private assets.

## OTHER KEY CHARACTERISTICS OF ORGANIZATIONAL ALTERNATIVES MUST BE CONSIDERED

Other characteristics are also important in the selection of an appropriate organizational structure. These include who provides the service, how the organization is staffed, the source of the funding, and what other inputs might be provided by the government (e.g., assets such as equipment). Considerations such as staffing and funding source have important implications for how an organization is run and what sort of incentives can apply. For example, an organization that receives its funding from direct appropriations (wholly governmental funding) will have a different set of motivations from one that receives its funding from direct sales.

## THE FRAMEWORK ASSISTS DECISIONMAKERS IN COMPARING OPTIONS FOR REORGANIZATION

Many alternatives are available to the government for reorganization. Many of these offer a chance to adopt modern business practices, streamline organizations, and adopt market mechanisms to improve quality, lower costs, and become more responsive to constituencies. The framework developed by RAND gives policymakers a way to initiate the reorganization process. The suitability of any particular alternative will depend on the specific goals of the effort and the needs of the situation under consideration.

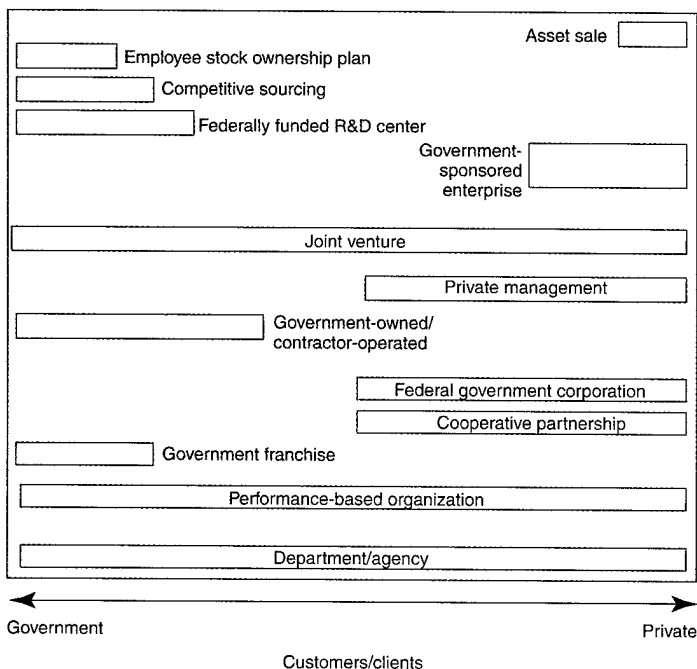


Figure 2—Alternatives by Customer

RAND research briefs summarize research that has been more fully documented elsewhere. This research brief describes work done for the Office of the Secretary of Defense; it is documented in *A Casebook of Alternative Governance Structures and Organizational Forms*, by Michael Hynes, Sheila Nataraj Kirby, and Jennifer Sloan, MR-1103-OSD, 2000, 144 pp., \$15.00, ISBN: 0-8330-2771-9, available from RAND Distribution Services (Telephone: toll free, 877-584-8642; FAX: 310-451-6915; or Internet: [order@rand.org](mailto:order@rand.org)). Abstracts of all RAND documents may be viewed on the World Wide Web (<http://www.rand.org>). Publications are distributed to the trade by NBN. RAND is a nonprofit institution that helps improve policy and decisionmaking through research and analysis. RAND's publications do not necessarily reflect the opinions of its research sponsors. RAND® is a registered trademark.

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